

PX17

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Notes from conference

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## **Regulatory Activities and Compliance Best Practices**

- Ari Rothman, Bjarte Rene, Jacob Bennet, Peter Nguyen
- Mitigate issues on the front end before they escalate
- BBB knows who to call if the consumers are not satisfied
- Refund customers, don't upsell 10 different things - Peter Nguyen
- Peter Nguyen's Rules for Advertiser Success
  - Reduce Complaints
    - starts with BBB
    - for every 20 BBB complaints 1 AG complaint
  - Monitor and Respond to FTC Complaints
    - FTC will make the rounds (mainly for diet)
    - FTC looks for the advertisers with the most complaints, and most money, they will check BBB profile and then follow the trail
  - Rebrand
    - Don't just change the name, change the phone, address, everything
    - Try to file FTC complaint - you will see what information FTC has, and clean this up every rebrand
  - Keep yourself asset-protected
    - Limit the amount of money you keep on hand
    - By the time you are in trouble, it's too late to start asset protecting
    - Offshore
  - Treat people right
    - sometimes a former employee will file a complaint
    - possible to get in trouble through vendor connections
      - keep communication private, without paper trails
  - Seek legal council
    - Hire a good attorney
    - Keep money ready for legal counsel, perhaps in escrow in case SHTF
  - Reduce Exposure
    - Do your best to limit mistakes
    - Pay close attention to Privacy Policy and Terms & Conditions
      - Include "no class action lawsuit"
      - Make sure consumers can see these
- Product liability compliance - Bjarte Rene & Jacob Benner
  - Do random testing
  - Make sure you work with a good product manufacturer
  - Don't assume that your manufacturing partner is compliant
    - You are responsible for the product you are advertising

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- Countdown timers, limited availability - can become an issue, make sure your marketing is in check
- Poor marketing can lead to significant increases in chargebacks
- Be creative - you can always find headlines that are 100% compliant and still keep a great conversion rate
- When running a free trial offer, what's the best volume to run it at?
  - Don't run anything over 500 sales a day - Peter Nguyen - anything more, create another brand
  - Make sure you have facilities to
- How often should a rebrand take place?
  - Some people will run 1000 sales a day, and rebrand every 30 days
  - They feel if the brand doesn't last that long, FTC won't catch me - not a great strategy
  - If you run 500/day, rebrand every 6 to 8 months
  - If you hit too many BBB complaints, like near 100, rebrand
  - If you are featured on Dr. Oz or Dr. Phil - rebrand
- What's the opinion on running a 30 day trial vs 15 day trial
  - Rebills are nearly the same
  - Chargebacks and lower overall
  - CLV remains the same
  - Requires more capital, so if you have money - might as well
- what are you more worried about State AG's or Federal Regulatory Bodies?  
Who are you more afraid of?
  - I saw more state AG investigations this year in my practice, but we did also see at least two FTC actions. I would treat state AGs and the FTC equally because they both have powers to shut down companies in appropriate circumstances (and I have seen a single state AG shut down an entire nationwide business) - Ari Rothman

## **Using Reporting and Analytics to Measure Affiliates, Reduce Fraud, Build Successful Campaigns**

- Laura Miller, Walter Long, Rick Del Rio, Venkata Janga
- Ready Aim Fire - book on direct response marketing
- Chargebacks 360
  - Fulfillment analytics
  - Callcenter
  - Chargebacks
- Some industry insight from Venkata Janga of Chargebacks 360
  - 2-2.2% of your products never reach your customers, due to wrong address

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- There is an option in USPS to reject a product, so you may never know if it was rejected - this causes chargebacks, bbb complaints, etc...
- Due to Amazon, people expect your product very quickly - people have high expectations - zip codes on northern hemisphere get the product after 7-8 days, and they are rebilled on the 14th day
- After 2.5-3 days max in fulfillment, chargebacks will go up
- People expect their refunds within 7.5 days
- Make sure calls are being answered within 30-47 seconds
- 35% of customers will chargeback, even after talking to your customer service
- Customers will chargeback after getting a full or partial refund
  - Call your customer on the 4th day to see if they have gotten the money
- Some advertisers will create very complex spreadsheets to track operations
  - They export data from CRM, and look for KPIs manually
  - They analyze for hours, tedious process - often only look at this once a month maybe every other month - not often enough
- Not all traffic is created equal - tracking platforms face technology challenges
  - If you don't go the extra step and make sure you are properly tracking with affiliates, you are doing yourself a disservice - Nate Lind
- When advertiser started running international campaigns, he started getting more returns
  - Realized that most of the international traffic was mobile
  - Email confirms were too prominent in showing the cancel button
- Is survey-based traffic good?
  - Survey traffic has evolved - no longer just *incentivised traffic*
  - Advertisers are encouraged to set monetize campaigns separately, creates high volume and consistent volume, and keeps mids clean
  - No incoming new orders puts mids in jeopardy
  - Advertisers with healthy mids and good customer service use survey-based traffic
- 2017 will be the year of analytics and data
  - Knowledge is power but knowledge is only based on the amount of data you have available - Walter Long
  - Metrics should be real-time and available online
  - Get CLV and be able to analyze traffic performance, and optimize fulfillment
- Limelight and *bank reconciliation*
- What kind of CLV do I look for?

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- Subscription based, you're looking for double or triple what you are spending on media
- Any ideas estimating future chargebacks?
  - *Affiliate fraud*
  - Customers BIN data

## Conversions and Optimization Hacks

- Matt Martorano, Drew Puchalski, Shahin Rothermel, Nick Cuttonaro (open to interview)
- Biggest challenge for optimization
  - Not going to get an optimized page if you are stealing someone else's page
  - You will not outperform
  - Set up a program to optimize your pages on a monthly bases
  - Only one statistically significant result out of 8 tests
  - Go for a big win, with an 30% conversion or higher
  - Biggest optimization overlooked is user integration
    - Browser Stack, Inspectlet to test
    - Test on mobile devices
- When optimizing pages, look at how many times (page layering)
- GT, webpagetest.org metrics to test page speed
- Move to a full *NMI* set up, for gateways
  - iNovio
- Gateway can play a difference in conversions
- Perceived value is a big aspect of optimization
  - Appear larger than life
  - Validate what you are selling, and the price point you're selling at
  - Some will have an Amazon store, and price the product higher on Amazon
    - this encourages customers to purchase directly from you after researching on Google
  - Amazon offers a brand legitimacy, and adds the option to ship prime
- What are regulators cracking down on right now?
  - The name of the game is disclosures - Shahin
  - Attorneys will show the FTL landing page conversions data, along with heat map
  - FTC uses this data to find if consumers are able to inform themselves
  - FTC wants to see how many people are converting, and when do the disclosures appear and how many go to the next page to look at them
- Figure out how to work together to promote the industry, as a whole
  - Make sure consumers consent to the offer

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- Change terms and conditions to have important information and have customers opt-in
- Offer a free product with purchase to build value
- TinyPNG is a lossless compression website which will shrink the size of your graphics without loss of quality
- What are your thoughts on regaining or getting ahead of domains that come up in a google search. I think these are sites that are created from affiliates?
  - Before the brand launches, own and control all 10 first SERP results
    - Launch Press releases
    - Social media
  - Apply for trademark
  - Send cease and desist orders
- Split testing platforms
  - Optimizely - run split testing and optimizations
  - The more volume you're able to get into a test, the better the result
  - Launch split tests without developers, by placing a javascript snippet on your site (optimizely)

## **Subscription Campaign Finance**

- Missed presenter names for this one
- Cash vs. accrual based accounting - accrual offers more flexibility
- Figure out cash flow up to 30 days - you're in great shape if you are able to do this
- Try to go for consistent sustainable growth - Mary Calderwood
- Sometimes it's good to stop selling product - to look at chargebacks, refunds, which can kick in over time
- Take a proactive approach to finding an average amount of sales consistently
  - How do you do this? Diversify products/brands?
  - Manage incoming advertising/traffic - have a good relationship with affiliates, and diversify incoming traffic
  - Evaluate the capital you have, and you will see how much you have at the low point
  - The breaking point is any rebill below 50% and you're losing money
- Payments ecosystem in a nutshell
  - ISO/agent - someone you submit business to
  - Processor - sets up the accounts and backend systems
  - Acquiring bank
  - Issuing banks - the ones who issue a consumer a card
- Every bank has different funding cutoff times
- Maintain constant communication with vendors and providers

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- What is my reserve agreement?
- What are the cutoff times?
- Where is the money coming from?
  - Account receivables
- Where is the money going to?
  - Accounts payable
- KPIs you need to look into'
  - Rebill data - if rebills suck you are going under
    - First rebill 70%
    - Then half of that every time after that - so 35%, 17%, etc.. until you get 1-2% on the sixth rebill
    - Rebills have dwindled won - not typically at 68%
    - Playing with a margin of 6-7% of cash in the bank - this is too low
  - Fulfillment cost should be around \$8-8.5
  - Chargeback cost should be around \$8
- When chargebacks go up, processors do not want to release money 6 months out
- The more you sell, the more money you lose - especially in the beginning - Bruce Malott
- Because you sell a product, and because you're inventorying a product - you have to be on accrual accounting for sales and cost of sales
- Book to portal to bank - Mary Calderwood (see if I can get an interview for more on this)

## **Domestic vs International Processing and Fulfillment**

- Heather Peterson, Rick Nelson, Mark Standfield
- Payment processing in 2016 and future
  - Eliminate deceptive practices
  - ETA - electronics transaction association - have been targeting nutraceuticals in the last couple of years
  - Processors and regulators don't understand the trial continuity model - Heather Petersen
- Continuity model was thought of as a flawed model by crd brands and regulators
  - Now everyone is buying on continuity - Amazon, Target, etc...
  - Regulators now paying more attention to working with this model
- How do you use data on the backend, to look at customer experience?
  - Split test packaging, to look at which works better for customer
  - Bubble mailers vs. retail cartons
  - Assign a code to how a product was packaged, then run an analysis on whether increased packaging cost lead to greater revenue

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- Could we get as a group a effort to get visa / Mc to stop putting all "high risk" into one box with one ratio and ask them to give us a sliding scale that allows us to stick and scale a mid vs these silly 50k caps and what was really the the route cause of the whole IBO straw structure?
  - Trial is not a high risk category, but requires additional due diligence
  - Telemarketing, adult - require additional registration with card brands
  - Visa's chargeback threshold dropping over the years - they are looking at average chargeback rate globally and it's around .001%
- As a merchant you are responsible for every fee on your account, otherwise the ISO has to pay it, otherwise the acquiring bank has to pay it
  - With established businesses like Amazon, Walmart, the risk level is much lower
  - Now card-present is creating more chargebacks
  - Chargebacks going up because more cardholders out there, and due to friendly fraud
  - Debit cardholders are typically the worst offenders in friendly fraud
    - You can now flag habitual chargebackers - Heather Petersen, NMA (Ask to extrapolate?)
- *MCC codes*
- Can you explain to us the shift to using the term \*Authorized Resellers\* over other previous terms from a legal standpoint?

Can reach out to Ryan Shapiro (advertiser) for interview.